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DOMINION MAGNESIUM LIMITED

24th *Annual Report*

For The Financial Period Ended December 31, 1964



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Dominion Magnesium Limited

(Incorporated under the laws of Ontario)

OFFICERS

R. J. JOWSEY - - - - - Chairman
H. J. FRASER - - - - - President
J. THOMSON - - - Vice-President and General Manager
H. B. CLEARIHUE - - - Secretary-Treasurer

DIRECTORS

R. J. JOWSEY - - - - - Toronto
H. J. FRASER - - - - - Toronto
J. THOMSON - - - - - Toronto
G. T. N. WOODROOFFE - - - - - Toronto
J. G. WEIR - - - - - Toronto
F. H. JOWSEY - - - - - Toronto
L. M. PIDGEON - - - - - Toronto
J. M. MORTIMER - - - - - Toronto

TRANSFER AGENT AND REGISTRAR

Crown Trust Company, 302 Bay Street, Toronto, Ontario

AUDITORS

Gunn, Roberts and Co., Toronto, Ontario

BANKERS

Royal Bank of Canada, Toronto, Ontario
Bank of Montreal, Renfrew, Ontario

GENERAL COUNSEL

Fasken, Calvin, Mackenzie, Williston and Swackhammer
36 Toronto Street, Toronto, Ontario

HEAD AND SALES OFFICE

7 King St. E., Toronto 1

PLANT

Haley, Ontario

ANNUAL MEETING

March 25th, 1965, 11:30 a.m. (Toronto Time)
Conference Room - 20th Floor - 7 King St. E., Toronto

Dominion Magnesium Limited

Directors' Report

Your Directors submit herewith the Annual Report of your Company for 1964.

-32.7 The Consolidated net income for the year was \$276,723, equivalent to 58¢ per share as compared with \$411,234 or 86¢ per share for 1963. Included in 1963 income was a non-recurring item of \$175,721 from the sale of technical information and royalties which after taxes amounted to approximately 30¢ per share. 235.15

Annual sales of your Company's products amounted to \$6,805,669 for 1964 as compared with \$6,318,052 for the previous year.

Shipments of the Company's main products were as follows:

	Year ended December 31	
	1964	1963
Magnesium -----	10,290 tons	9,565 tons
Calcium -----	138,358 lbs.	98,647 lbs.
Thorium -----	6,455 lbs.	7,099 lbs.
Titanium -----	15,087 lbs.	9,005 lbs.
Dolomite -----	24,321 tons	7,230 tons

Production of magnesium crowns was an all time record of 20,337,926 lbs., an increase of almost 1.7% over 1963's production of 20,000,637 lbs. One of the electric furnaces was shut down for repairs early in March and because of market conditions was not placed in production until the end of August. Experimental work is continuing to increase the efficiency of this furnace by the addition of auxiliary gas heating.

The Research Centre produced 6,048 lbs. of zirconium powder which was used in the production of magnesium alloys.

Capital expenditures for the year amounted to \$378,375. The main items were completion of the dolomite screening, bagging and drying unit, the installation of the new multiclone dust collector for the large kiln at Haley, and the addition of 17,000 square feet of plant space at Aerometal's fabricating plant in Toronto. New construction at the Beauharnois smelter included a new office and machine shop, an extension of the 48 foot wide metal cleaning bay for a distance of 175 feet, and the relocation of the analytical laboratory and stores in the old office and shop sites.

Operation of the new 15,000 K.V.A. arc furnace at the Beauharnois smelter is improving satisfactorily. The new office and machine shop was in use in October. The analytical laboratory and stores were functioning in their new locations in November. Completion of the metal cleaning bay extension is expected early in 1965.

Aerometal Products and Design Limited had sales of \$324,288, a 48% increase over last year's sales of \$219,248. Improvement in sales was due almost entirely to increased orders for luggage frames. An additional 17,000 square feet of factory space was completed and in use in November. This has alleviated congestion and will allow more efficient work scheduling and storage of finished parts.

Your Company has maintained an active research programme during the year which was mainly concerned with new furnace design, metal condensation, process efficiency, product improvement, and die casting alloys.

Your Company has maintained its world market position. In particular, sales in the U.K. have been maintained on a basis comparable to last year. Full production at Haley will not meet indicated market demands for 1965. Therefore, every effort will be made to increase production.

The Board would like to pay warm tribute to our Plant Managers, Messrs. D. J. McPhail and W. Z. Jarmicki, and to H. G. Warrington, Sales Manager, together with all the staff and employees for their efforts during the year.

On behalf of the Board,

H. J. FRASER,
President.

J. THOMSON,
Vice-President and General Manager.

Toronto, Ontario.
March 1, 1965.

AND SUBSIDY

ASSETS

Toronto, Canada,
February 17, 1965.

Magnesium Limited

(Incorporated in the Province of Ontario)

COMPANIES

At—December 31, 1964

LIABILITIES

		1963 Comparative Figures
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 671,296	\$ 495,737
Employees' savings and pension fund contribution payable.....	43,412	51,645
Income taxes payable	41,829	2,635
	<hr/>	<hr/>
	\$ 756,537	550,017
DEFERRED INCOME TAXES	214,516	92,032
PROVISION FOR PLANT AND EQUIPMENT REPAIRS	280,727	272,059
CAPITAL STOCK AND SURPLUS		
Capital stock		
Authorized — 500,000 shares of no par value		
Issued — 476,270 shares	3,203,045	3,203,045
Earned surplus	2,180,722	2,150,114
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	5,383,767	5,353,159
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	\$6,635,547	\$6,267,267
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REPORT

and subsidiary companies as at December 31, 1964 and the consolidated statements of
Dominion Magnesium Limited (the parent company) included a general review
of the accounts as we considered necessary in the circumstances. We have relied on the reports of

the companies of income and earned surplus present fairly the financial position of the companies
in accordance with generally accepted accounting principles applied on a basis consistent with

the statement of funds for the year ended December 31, 1964. In our opinion the statement

GUNN, ROBERTS AND CO.,
Chartered Accountants.

Dominion Magnesium Limited

CONSOLIDATED STATEMENT OF INCOME

For the year ended December 31, 1964

		1963 Comparative Figures
Sales	\$6,805,669	\$6,318,052
Cost of sales	5,864,867	5,487,937
	\$ 940,802	830,115
Rental revenue, Beauharnois plant	210,620	202,550
Profit from operations before the following deductions	1,151,422	1,032,665
Deduct		
Selling, general and administrative expenses	217,441	216,994
Research	152,271	124,882
Depreciation	332,638	327,611
Mortgage interest		1,960
Patent expenses and amortization	14,327	14,508
Directors' fees	1,600	1,500
Contribution to employees' savings and pension fund	43,412	51,645
	761,689	739,100
	389,733	293,565
Other income		
Investment income	53,308	44,055
Royalty income	2,000	68,121
Sale of technical information		107,600
Sundry income	4,686	4,725
	59,994	224,501
Income before income taxes	449,727	518,066
Income taxes (see note)	173,004	106,832
Net income for the year	\$ 276,723	\$ 411,234

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Dominion Magnesium Limited

CONSOLIDATED STATEMENT OF EARNED SURPLUS

For the year ended December 31, 1964

		1963 Comparative Figures
Balance at beginning of year	\$2,150,114	\$1,977,015
Net income for the year	276,723	411,234
	<u>2,426,837</u>	<u>2,388,249</u>
Deduct		
Dividend	238,135	238,135
Additional deferred income taxes relating to the prior year	7,980	
	<u>246,115</u>	<u>238,135</u>
Balance at end of year	<u>\$2,180,722</u>	<u>\$2,150,114</u>

NOTE: As a result of claiming depreciation allowances for tax purposes in excess of recorded depreciation, income taxes payable will be less than the current year's provision by \$114,504 (1963 \$92,032) and accordingly this amount is included in the balance sheet under the item "Deferred income taxes".

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the year ended December 31, 1964

Source of Funds		
Net income for the year	\$ 276,723	\$ 411,234
Add charges therein not involving the outlay of cash		
Depreciation	332,638	327,611
Amortization of patents	9,321	9,120
Deferred income taxes	114,504	92,032
Other charges	8,668	
	<u>741,854</u>	<u>839,997</u>
Decrease in deferred charges		2,787
	<u>741,854</u>	<u>842,784</u>
Application of Funds		
Dividend	238,135	238,135
Additions to fixed assets less disposals	378,375	463,044
Mortgage payable		128,206
Increase in deferred charges	18,029	
Expenditures for plant and equipment repairs in excess of charges to operations		9,207
Cost of acquiring patents	6,769	3,403
	<u>641,308</u>	<u>841,995</u>
Increase in working capital	<u>\$ 100,546</u>	<u>\$ 789</u>
Working capital end of year	\$3,018,868	\$2,918,322
Working capital beginning of year	2,918,322	2,917,533
Increase	<u>\$ 100,546</u>	<u>\$ 789</u>

Dominion Magnesium Limited

Head and Sales Office

7 King St. E.
Toronto 1, Ontario

Plant

Haley, Ontario

Magnesium Metal and Alloys

Ingots, Billets
Extrusions

Calcium Metal in all grades

and forms.
Calcium Alloys

Thorium Metal

Zirconium, Thorium, Titanium Metals and Master Alloys,
Barium, Strontium Metals. Specialty Alloys.

— SUBSIDIARY COMPANY —

Aerometal Products & Design Limited Magnesium Designers and
Fabricators
Ferrosilicon Plant

Head Office

7 King St. E.
Toronto 1, Ontario

Plant Office

195 Bentworth Avenue
Toronto 19, Ontario

Plant Products

Ladders — Industrial and Domestic
Wire Reels — Shipping and Process
Rigging Blocks
Shovels — Grain Handling
Snow Pushers
Trucks — Hand and Platform
Diamond Drill Rods

Brick Tongs and
Construction Hardware
Pike Poles and Duct Rods
Defence Equipment
Tools, Dockboards,
Sporting Equipment
Drilling Towers

